



Washington State Auditor's Office

Independence • Respect • Integrity

Accountability Audit Report Pacific County

For the period January 1, 2013 through December 31, 2014

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Washington State Auditor's Office

September 24, 2015

Board of Commissioners
Pacific County
South Bend, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for County operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the County's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in blue ink, reading "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In the areas we audited, County operations complied with applicable requirements and provided adequate safeguarding of public resources. The County also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of Pacific County from January 1, 2013 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the County's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Open public meetings
- General revenues and expenditures
- Restricted funds
- County Treasurer investing activities
- Financial condition
- Conflict of interest
- Procurement – purchases
- Cash receipting
- Payroll
- Disbursements
- Sheriff's Office

STATUS OF PRIOR AUDIT FINDINGS

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Pacific County. The State Auditor's Office has reviewed the status as presented by the County.

Audit Period: January 1, 2011-December 31, 2012	Report Ref. No.: 1011126	Finding Ref. No.: 1
Finding Caption: Pacific County allocated shared services costs in excess of \$8.3 million without adequate documentation that the costs were fair and equitable.		
Background: <p>The County has programs for payroll as well as property and casualty insurance that are operated as internal service funds. These funds, the Cumulative/Reserve Insurance Fund and Payroll Internal Service Fund, provide insurance coverage and payroll benefits to other County departments in exchange for contributions to finance the programs.</p> <p>The County operates an Equipment Rental and Reserve Fund (ER&R) to centralize the management of costs associated with equipment and vehicles. This includes setting aside money for future replacement and routine maintenance. The County is required to establish rates sufficient to recover costs of the fund. The established rate is charged to all funds that use this equipment monthly.</p> <p>The Budgeting Accounting and Reporting System (BARS) manual and accounting principles give the County flexibility on how to allocate costs to its departments, but state that the allocation should be based on relevant, sufficient and reliable data. Also, the BARS manual requires the County to retain documents to support all charges.</p> <p>Some of the County departments making contributions are doing so with restricted monies that can only be spent for specific purposes. Therefore it is important that departments contribute in a fair and equitable manner.</p> <p>Although the County had practices in place for its allocations of shared service costs, it did not have adequate documentation to support these practices.</p> <p>In addition, the County was unable to provide support for \$493,466 in traffic enforcement costs charged to the County Roads Fund. As the County Road Fund contains restricted resources, any use of these monies needs to have support and demonstrate the benefits received by the fund. As a result, the County is unable to show documentation that it complied with state laws that prohibit shifting restricted resources to other funds.</p>		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <p>The County worked diligently to implement the prior audit recommendations. We made minor recommendations during the current audit to continue to work on formalizing its cost allocation plan and maintaining adequate supporting documentation to support all charges.</p>		

RELATED REPORTS

Financial

Our opinion on the County's financial statements and compliance with federal grant program requirements is provided in a separate report issued in September 2015, which includes the County's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the County's major federal program, which is listed in the Federal Summary section of the financial statement and single audit report issued in September 2015. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE COUNTY

Pacific County is located in the southwest region of the state and has approximately 21,000 residents.

The County is governed by an elected, three-member Board of Commissioners. Additional County elected positions include Superior Court Judge, two District Court Judges, Assessor, Auditor, Clerk, Prosecuting Attorney, Sheriff and Treasurer. The County operates on a \$30 million annual budget.

Its 198 employees provide public safety, construction and maintenance of roads and bridges, sanitation facilities, health and social services, cultural and recreational facilities and activities, planning and zoning services and general administration services. In addition, the County owns and operates an emergency communication system.

Contact information related to this report	
Address:	Pacific County 300 Memorial Avenue South Bend, WA 98586
Contact:	Rachel Patrick, Chief Accountant
Telephone:	(360) 875-9311
Website:	www.co.pacific.wa.us

Information current as of report publish date.

Audit history

You can find current and past audit reports for Pacific County at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov